

THREE YEARS OF CASH FLOW



140 BAY STREET

SANTA CRUZ, CA 95060

140 BELLY, LLC · 8 UNITS · WESTSIDE · 2 OF 8 HUD / SECTION 8

2025 ACTUAL

\$128,980

True NOI - 64.3% margin

2026 PROJECTED

\$130,802

Post-management switch

2027 PROJECTED

\$145,926

After 7.7% rent increase

WHAT THIS PACKAGE SHOWS

2025 actuals restated to separate recurring operations from capital projects, then carried forward two years. The property earned \$128,980 of true NOI on \$200,475 of effective gross income – a 64.3% margin – but spent \$109,099 on capital work in the same year, leaving \$19,881 of reported net income. The projections hold that operating base flat, add the management-company switch, and apply the AB 1482 rent ceiling.



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PREPARED SEPTEMBER 25, 2026

THREE-YEAR OPERATING SUMMARY

2025A - 2027P

LINE ITEM	2025 ACTUAL	2026 PROJ.	2027 PROJ.
Gross / market rent	\$162,220	\$165,968	\$178,748
Subsidized rent (HUD / Section 8)	\$42,599	\$42,984	\$46,294
Abated rent	(\$4,345)	—	—
Other income — PM-switch savings	—	\$5,628	\$4,716
EFFECTIVE GROSS INCOME	\$200,475	\$214,580	\$229,757
Total operating expenses	(\$71,495)	(\$83,779)	(\$83,832)
Expense ratio	35.7%	39.0%	36.5%
NET OPERATING INCOME	\$128,980	\$130,802	\$145,926
NOI margin	64.3%	61.0%	63.5%
NOI growth vs prior year	—	+\$1,822 · +1.4%	+\$15,124 · +11.6%
Capital expenditures	(\$109,099)	Not modeled	Not modeled
NET INCOME AFTER CAPEX	\$19,881	—	—

> IMPLIED VALUATION

CAP RATE	ON 2026 NOI	ON 2027 NOI	READ
4.50%	\$2,906,706	\$3,242,794	Aggressive coastal pricing
5.00%	\$2,616,035	\$2,918,515	Mid-case
5.50%	\$2,378,214	\$2,653,195	Debt-neutral to today's cost of capital

GOING-IN CAP AT \$3.0M · 2026 NOI

4.36%

YEAR-2 CAP AT \$3.0M · 2027 NOI

4.86%

Two years of NOI growth come from two different places. 2026 is essentially flat — the management switch and the reassessed property tax nearly cancel each other out. 2027 carries the whole gain, and it comes from the 7.7% rent increase. **The operating expense base is held at the 2025 cleaned actuals in both years**, so any real expense inflation lands straight against NOI.

OPERATING STATEMENT

Utopia Management · 140 Belly, LLC · 8 units, all active · Gross scheduled rent \$17,412.70 / month

EFFECTIVE GROSS INCOME	TRUE NOI	NET AFTER CAPEX
\$200,474.52	\$128,979.84	\$19,881.26
After abatements	64.3% margin · CapEx excluded	9.9% margin · see page 4

REVENUE

Gross Rent	\$162,220.36
Subsidized Rent (HUD / Section 8)	\$42,599.00
Abated Rent	(\$4,344.84)
EFFECTIVE GROSS INCOME	\$200,474.52

ADMINISTRATIVE

Property Management (7.15%)	\$14,337.35
Property Taxes	\$22,818.93
Insurance	\$3,834.00
Legal & Accounting	\$2,595.00
Leasing Fees	\$500.00
Utopia Additional Services	\$1,050.00
Vendor Service Fee	\$47.15
Customer Service Credit	(\$102.32)
Total Administrative	\$45,080.11

MONTHLY SERVICE CONTRACTS

Gardening / Landscaping (Routine)	\$460.00
Pest Control	\$1,105.00
Total Contracts	\$1,565.00

ROUTINE MAINTENANCE & REPAIRS

Utopia Maintenance (Routine)	\$1,522.50
Plumbing & Electric (Routine)	\$148.50
Plumbing – Minor Repairs	\$4,990.07
Fire System Service	\$394.54
Cleaning	\$2,127.75
Appliance Repair	\$424.00
Maintenance Supplies	\$105.10
Total Routine Maintenance	\$9,712.46

UTILITIES

Gas & Electric	\$3,410.32
Combined (Water / Sewer / Trash)	\$11,726.79
Total Utilities	\$15,137.11

TOTAL OPERATING EXPENSES	\$71,494.68
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NET OPERATING INCOME
\$128,979.84
64.3% NOI margin · capital expenditures excluded — see page 4

The information listed above has been obtained from sources we believe to be reliable, however, we accept no responsibility for its correctness.

CAPITAL EXPENDITURES

Extracted from Utopia’s single “Maintenance” category: large-project and non-recurring items, reclassified below the NOI line by size, irregular distribution, and project nature. Routine gardening of \$200–\$235 per month stays in operating contracts on page 3.

CAPITALIZED ITEM	AMOUNT	BASIS FOR RECLASSIFICATION
Subcontract Maintenance	(\$52,870.39)	Major projects
Miscellaneous Maintenance	(\$38,934.85)	Non-recurring
Miscellaneous Expense	(\$12,884.00)	Non-recurring
Landscaping Improvement	(\$2,540.00)	November spike, not routine
Window Coverings	(\$1,869.34)	Replacement, capital in nature
TOTAL CAPITAL EXPENDITURES	\$109,098.58	

> RECONCILIATION TO REPORTED NET INCOME

Net operating income (true, recurring)	\$128,979.84
Less total capital expenditures	(\$109,098.58)
Net income after CapEx, as restated	\$19,881.26
Utopia reported net income	\$19,928.41
Unreconciled variance – see note 3	\$47.15

CAPEX PER UNIT	CAPEX AS % OF EGI	CAPEX VS TRUE NOI
\$13,637	54.4%	84.6%
Across 8 units, one year	\$109,099 on \$200,475	Consumed most of the year’s NOI

HOW TO READ THIS

A buyer underwrites off the \$128,980 true NOI, because that is what recurring operations produce. But 2025 also absorbed \$109,099 of capital work – 84.6% of that NOI – and neither projection carries a CapEx reserve. **Ask for the invoice detail behind the two largest lines** (\$52,870 subcontract and \$38,935 miscellaneous maintenance, \$91,805 combined). If that spend was a one-time catch-up on deferred items, the projections hold. If it is the building’s run rate, real cash flow is far below the projected NOI.

2026 PROJECTION

RENT ROLL 02/28/2026

EFFECTIVE GROSS
INCOME

\$214,580

PROJECTED NOI

\$130,802

NOI MARGIN

61.0%

GOING-IN CAP @ \$3.0M

4.36%

REVENUE

Gross Scheduled Rent (annualized) \$13,830.70 / mo × 12	\$165,968.40
Subsidized Rent (HUD / Section 8) \$3,582 / mo × 12	\$42,984.00
Total Rental Income	\$208,952.40

OTHER INCOME — PM-SWITCH SAVINGS

Mgmt Fee Reduction (7.15% → 6%)	\$2,402.95
Utopia Additional Services eliminated	\$1,050.00
Vendor Service Fee eliminated	\$47.15
Bay Building Janitorial eliminated	\$2,127.75
Total Other Income	\$5,627.85

EFFECTIVE GROSS INCOME

\$214,580.25

Operating expenses held at the 2025 Utopia baseline structure; PM-switch savings are reflected as Other Income above rather than as reduced expenses.

ADMINISTRATIVE

Property Management (7.15% baseline)	\$14,940.10
Property Taxes (reassessed) \$3,000,000 × 1.15%	\$34,500.00
Insurance	\$3,834.00
Legal & Accounting	\$2,595.00
Leasing Fees	\$500.00
Utopia Additional Services	\$1,050.00
Vendor Service Fee	\$47.15
Customer Service Credit	(\$102.32)
Total Administrative	\$57,363.93

ROUTINE MAINTENANCE & REPAIRS

Utopia Maintenance (Routine)	\$1,522.50
Plumbing & Electric (Routine)	\$148.50
Plumbing — Minor Repairs	\$4,990.07
Fire System Service	\$394.54
Janitorial Cleaning	\$2,127.75
Appliance Repair	\$424.00
Maintenance Supplies	\$105.10
Total Routine Maintenance	\$9,712.46

MONTHLY SERVICE CONTRACTS

Gardening / Landscaping (Routine)	\$460.00
Pest Control	\$1,105.00
Total Contracts	\$1,565.00

UTILITIES

Gas & Electric	\$3,410.32
Combined (Water / Sewer / Trash)	\$11,726.79
Total Utilities	\$15,137.11

TOTAL OPERATING EXPENSES

\$83,778.50

PROJECTED 2026 NET OPERATING INCOME

\$130,801.76

61.0% margin · pre-CapEx · +\$1,821.92 (+1.4%) over 2025 true NOI

The information listed above has been obtained from sources we believe to be reliable, however, we accept no responsibility for its correctness.

2027 PROJECTION

UTOPIA CHARGES REMOVED

EFFECTIVE GROSS
INCOME

\$229,757

PROJECTED NOI

\$145,926

NOI MARGIN

63.5%

VS 2026 NOI

+11.6%

REVENUE

Gross Scheduled Rent (+7.7%) \$165,968.40 × 1.077	\$178,747.97
Subsidized Rent (HUD / Section 8) \$42,984.00 × 1.077	\$46,293.77
Total Rental Income	\$225,041.73

OTHER INCOME — PM-SWITCH SAVINGS

Mgmt Fee Reduction (7.15% → 6%)	\$2,587.98
Bay Building Janitorial eliminated	\$2,127.75
Utopia Additional Services and Vendor Service Fee are removed from expenses entirely in 2027, so they no longer appear here as offsets.	
Total Other Income	\$4,715.73

EFFECTIVE GROSS INCOME

\$229,757.46

ADMINISTRATIVE

Property Management (7.15% baseline)	\$16,090.48
Property Taxes (reassessed) \$3,000,000 × 1.15%	\$34,500.00
Insurance	\$3,834.00
Legal & Accounting	\$2,595.00
Leasing Fees	\$500.00
Customer Service Credit	(\$102.32)
Total Administrative	\$57,417.16

ROUTINE MAINTENANCE & REPAIRS

Utopia Maintenance (Routine)	\$1,522.50
Plumbing & Electric (Routine)	\$148.50
Plumbing — Minor Repairs	\$4,990.07
Fire System Service	\$394.54
Janitorial Cleaning	\$2,127.75
Appliance Repair	\$424.00
Maintenance Supplies	\$105.10
Total Maintenance	\$9,712.46

MONTHLY SERVICE CONTRACTS

Gardening / Landscaping (Routine)	\$460.00
Pest Control	\$1,105.00
Total Contracts	\$1,565.00

UTILITIES

Gas & Electric	\$3,410.32
Combined (Water / Sewer / Trash)	\$11,726.79
Total Utilities	\$15,137.11

TOTAL OPERATING EXPENSES

\$83,831.73

PROJECTED 2027 NET OPERATING INCOME

\$145,925.73

63.5% margin · pre-CapEx · +\$15,123.97 (+11.6%) over 2026†

IMPLIED VALUE ON 2027 NOI

@ 4.5%	\$3.24M
@ 5.0%	\$2.92M
@ 5.5%	\$2.65M

† Growth is measured against the \$130,801.76 NOI on page 5. The source 2027 statement compared against \$128,502.00 and reported +\$17,423.73 (+13.6%); see note 4.

The information listed above has been obtained from sources we believe to be reliable, however, we accept no responsibility for its correctness.

#	APPLIES TO	NOTE
1	2025 – CapEx classification	Subcontract Maintenance (\$52,870), Misc. Maintenance (\$38,935), Misc. Expense (\$12,884), the November landscaping spike (\$2,540) and Window Coverings (\$1,869) are reclassified below the NOI line based on size, irregular distribution and project nature. Routine gardening of \$200–\$235/mo is retained in operating contracts. The True NOI reflects stabilized, recurring operations.
2	2026 – methodology	Income annualized from the February 2026 rent roll (\$17,412.70/mo × 12, being \$13,830.70 market plus \$3,582.00 subsidized). Operating expenses use the 2025 cleaned-up base – recurring costs only, with capital projects excluded as they were in the 2025 reclassified statement. Property taxes reassessed at a \$3,000,000 sale price × 1.15% (1% base plus local assessments). All other line items held flat.
3	2025 – reconciliation variance	The restated statement lands at \$19,881.26 of net income after CapEx; Utopia reported \$19,928.41. The \$47.15 gap equals the Vendor Service Fee exactly. Confirm whether that fee was excluded from Utopia's expense total before treating the statement as fully reconciled.
4	2027 – prior-year basis	The source 2027 statement measured growth against a 2026 NOI of \$128,502.00 and reported +\$17,423.73 (+13.6%). The 2026 statement in this package produces \$130,801.76. Page 6 uses that figure, giving +\$15,123.97 (+11.6%). The \$2,299.76 difference between the two 2026 NOI figures is unexplained in the source and should be resolved before the projection is circulated.
5	2026–27 – other income treatment	“Change of Management Expense Reductions” captures the dollar savings from switching from Utopia (7.15% management plus add-on charges plus janitorial) to Manresa Properties (6% management, bundled services). Expenses on the lower half of each statement remain at the Utopia baseline so the historical cost structure stays visible; the savings flow through as Other Income to land at a true post-switch NOI. In 2027 the Utopia Additional Services (\$1,050) and Vendor Service Fee (\$47.15) are removed from expenses outright rather than held with an offset.
6	2027 – key changes from 2026	Total gross rent rises from \$208,952.40 to \$225,041.73 (+\$16,089.33). Other Income falls from \$5,627.85 to \$4,715.73 (–\$912.12) as the Utopia-specific savings stop being relevant. Net effect: EGI rises \$15,177.21, or +7.1%.
7	2027 – AB 1482 rent ceiling	The 7.7% increase is applied to both market-rate and subsidized units and assumes a 5% base plus 2.7% local CPI under the California Tenant Protection Act (AB 1482). Future increases are capped at 5% + CPI with a 10% maximum. Subsidized units may instead be subject to HUD Fair Market Rent adjustments, which do not track AB 1482 – confirm the payment standard before relying on the subsidized-rent escalation.
8	Both projections – exclusions	Excluded from both years: CapEx reserves, vacancy and credit loss allowance (in-place actuals used), rent growth beyond the year modeled, one-time leasing and turnover costs, and expense inflation. These are stabilized operating projections only.

THE THREE THAT MATTER MOST

No vacancy factor. Both projections run at 100% occupancy on in-place rents. A 3% allowance – the figure used in the 234 High comparison – costs roughly \$6,300 in 2026 and \$6,750 in 2027, straight off NOI.

No CapEx reserve. 2025 absorbed \$109,099. Even a conservative \$300/unit/year reserve is \$2,400 against these numbers, and the actual history argues for far more.